



Colombia highlights

Global Capital Confidence Barometer



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A note from Andres Gavenda, Managing Partner, Transaction Advisory Services, Ernst & Young S.A.S.

Colombian executives press pause on M&A amid uncertainty

As a new wave of political uncertainty surfaces, companies in Colombia are focused on resiliency as M&A appetite falls to a nine-year low, according to the latest results of the *EY Capital Confidence Barometer*. Of the 24% who say that their companies will pursue M&A in the next 12 months, one-half say they will be targeting bolt-on acquisitions that complement their existing business and offer an expanded choice of products and services for existing customers.

Forty-five percent of Colombian executives say they are challenged to hire and retain staff, particularly those with specific technical skills relevant to their core business. Twenty-five percent also cite acquiring talent as a strategic deal.

Of those who are looking to make deals, 82% are bracing for an increase in competition, with a majority expecting to compete with private equity for assets. A similar percentage say they are expecting an increase in cross-sector M&A driven by technology and digitalization.

Companies increase their investment in digital and technology

This is consistent with the 25% of Colombian executives who say that one of the biggest impacts digital transformation is having on their company is the blurring of boundaries with other industries. In response to this and increasing competitive pressures digital transformation is creating, 76% say they will be devoting 25% or more of their annual investment capital to digital and technology. Thirty-nine percent say they will focus more than 25% of that capital allocation on new growth opportunities.

In pursuing their digital transformation agenda, 46% say they will be building their capabilities internally, while 54% say they will look outside the company for future opportunities, primarily through joint ventures and alliances, and, to a lesser extent, external venture funds and acquisitions.

Economic optimism prevails despite political uncertainty

While political uncertainty may have a dampening effect on M&A, Colombians remain optimistic about local economic performance, with 79% saying they see the local economy as growing. With a higher Colombian dollar and stable unemployment rates, 69% anticipate modest to strong increases in sales; 65% expect to see improvements in their profit margins.

With confidence in local economic and individual performance outlooks, 64% say they do not expect to see an economic slowdown in the near to mid term.

Divestments as part of portfolio optimization helps Colombian companies build resiliency

With 41% of Colombian executives citing political and regulatory uncertainty as the greatest external risks to the growth of their business, one-third say they are planning to outsource or divest either back-office functions or capabilities that are not critical to their brand. Through portfolio review and optimization, Colombian companies are looking to future-proof their businesses against any shocks – political or otherwise – that may come their way.

Broad-base reporting rises in importance

As stakeholders place increasing pressure on companies to take a more holistic view of value creation, Colombians are seeking to improve their ability to measure performance in the areas of talent and social value. While they are confident in their reporting metrics

Top five investment destinations

- 1  US
- 2  Colombia
- 3  Canada
- 4  Germany
- 5  UK

for financial and customer value and are making headway in measuring and reporting on talent, only 27% of Colombian executives currently have metrics in place to measure social value. However, 58% say they plan on adopting new metrics in this area within the next 12 months.

The best businesses are defined by more than their short-term profitability. They drive broad-based prosperity by creating value for shareholders, customers, employees and society alike. Colombian companies are moving in the right direction to demonstrate their long-term value to all stakeholders.

Executives focus on building resiliency

61%

expect the domestic M&A market to improve in the next 12 months.

24%

are planning to actively pursue M&A in the next 12 months.

49%

expect an increase in hostile and competitive bidding in the next 12 months.

Talent search is a challenge

45%

say they find hiring or retaining staff difficult.

53%

tell us the challenge with hiring and retaining staff is finding talent with specific technical skills relevant to their core business.

23%

say the main strategic driver for pursuing deals is acquiring talent.

Executives remain focused despite slowdown talk

64%

do not expect an economic slowdown in the near to mid term.

24%

are actively planning to respond to ongoing geopolitical, trade and tariff concerns.

41%

say regulatory impacts – climate change policy, regulatory uncertainty and trade disputes – are the greatest external risks to business.

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